

**Office of the Executive Director of the
District Attorneys General Conference**

**For the Years Ended
June 30, 2001, and June 30, 2000**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
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John G. Morgan
Comptroller

August 27, 2002

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

The Honorable Frank F. Drowota, III, Chief Justice
Tennessee Supreme Court
401 Seventh Avenue North
Nashville, Tennessee 37219-1407
and

Mr. James W. Kirby, Executive Director
Tennessee District Attorneys General Conference
Suite 800, Capital Boulevard Building
226 Capital Boulevard
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Office of the Executive Director of the District Attorneys General Conference for the years ended June 30, 2001, and June 30, 2000.

The review of management's controls and compliance with policies, procedures, laws, and regulations resulted in certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/cj
02/035



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT**

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March 19, 2002

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Office of the Executive Director of the District Attorneys General Conference for the years ended June 30, 2001, and June 30, 2000.

We conducted our audit in accordance with government auditing standards generally accepted in the United States of America. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the compliance of the Office of the Executive Director of the District Attorneys General Conference with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the conference office is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The conference office's administration has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving the conference office's internal controls and/or instances of noncompliance to the management of the Office of the Executive Director of the District Attorneys General Conference in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA,
Director

AAH/cj

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Office of the Executive Director of the District Attorneys General Conference
For the Years Ended June 30, 2001, and June 30, 2000

AUDIT SCOPE

We have audited the Office of the Executive Director of the District Attorneys General Conference for the period July 1, 1999, through June 30, 2001. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, payroll and personnel, expenditures, equipment, and individual offices of district attorneys general. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

AUDIT FINDINGS

Office of the District Attorneys General Do Not Maintain Adequate Leave Records and Allow Employees to Take Unearned Leave **

In many districts, time sheets or equivalent records of attendance are not maintained. As a result, at least 56 overpayments totaling \$10,482.65 were made during the audit period (page 6).

A Lack of Adequate Internal Control Has Resulted in Many Overpayments and Duplicate Payments to Vendors*

As a result of not requiring verification of receipt of goods, the conference issued many duplicate payments and overpayments to vendors for goods and services. During the audit period, there were 75 known overpayments and duplicate payments totaling \$26,959.76 (page 8).

Controls Over Purchasing Are Inadequate

Written purchasing policies and procedures do not exist for items under \$1,000. The conference office and several individual district offices have inadequate segregation of duties in the purchasing function (page 9).

Controls Over Equipment and Leased Office Space Were Inadequate **

The conference does not have adequate control over or accountability for equipment and leased office space. Many equipment items could not be located, were not properly tagged, or were not listed correctly on the Property of the State of Tennessee (POST) listing. Also, the conference office makes lease payments on arrangements for which a lease agreement has not been formalized (page 12).

* This finding is repeated from the prior audit.

** This finding is repeated from prior audits.

ISSUES FOR LEGISLATIVE CONSIDERATION

Numerous Funding Sources of the District Attorneys General

As noted in the last three audits, covering the period July 1, 1993, through June 30, 1999, the various sources providing funding to the district attorneys general increase the risk that the same expense item could be submitted for reimbursement to more than one funding source, whether intentionally or as a result of errors. This situation created the opportunity for a former district attorney general and his assistant to misdirect public funds into a private bank account for their personal use.

These matters were reported in the audit report for the conference for the years ended June 30, 1995, and June 30, 1994. In that audit, we reported that in the Thirtieth Judicial District (Shelby County), the former district attorney general submitted travel claims to the state and improperly retained \$15,222.63 for expenses that the county had paid and that he had not personally incurred and was not owed. In addition, a former assistant district attorney general submitted travel claims to the state and improperly retained \$2,520.83 for expenses that the county had paid and that she had not personally incurred and was not owed.

These underlying conditions have not been corrected. The officials responsible for approving payments at the state and county levels still do not have a mechanism to

determine what expenses have also been paid by another funding source. The General Assembly should determine if the various funding sources should continue to be maintained by various governments, with no mechanism to verify that only one source has submitted a claim for reimbursement, or whether the conference should be fiscal officer for sources of funds of all the district attorneys general (page 15).

Salary Supplements for State District Attorneys General Employees and County Funding of District Offices

Currently, the payment of salary supplements to district attorneys general and their staff is handled differently by the counties providing the supplements. Some counties pay the supplement directly to the employee through the county payroll, while others pay the supplement to the conference office, which pays the supplement to the employee through the state payroll system. The General Assembly should determine if its legislative intent was for Fraud and Economic Crime funds and county appropriations to be used to supplement the salaries of individuals employed by offices of certain district attorneys general. If the salary supplements are considered appropriate, the General Assembly should then consider requiring all salary supplements for the district attorneys general and their staff to be remitted to the state and then paid through the state payroll system (page 16).

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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Audit Report
Office of the Executive Director of the
District Attorneys General Conference
For the Years Ended June 30, 2001, and June 30, 2000

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**Office of the Executive Director of the
District Attorneys General Conference
For the Years Ended June 30, 2001, and June 30, 2000**

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Office of the Executive Director of the District Attorneys General Conference. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

As set forth in Section 8-7-307, *Tennessee Code Annotated*, the purpose of the Office of the Executive Director of the District Attorneys General Conference is “to assist in improving the administration of justice in Tennessee by coordinating the prospective efforts of the various district attorneys general and by performing the duties and exercising the powers herein conferred.”

The Office of the Executive Director of the District Attorneys General Conference serves as the central administrative office for Tennessee’s 31 district attorneys general, who, although elected by the voters of their local districts, are state officials. The conference office is responsible for budgeting, payroll, purchasing, personnel, and administration of state fiscal and accounting matters pertaining to the district attorneys general and their staffs.

The conference office is also responsible for maintaining liaison between the district attorneys general and other government agencies, including the courts, the General Assembly, the executive branch, and the Office of Attorney General and Reporter. Other duties include coordination of multidistrict prosecution; preparation of forms, manuals, and indexes; and development and implementation of training programs.

Title IV-D Child Support Funds

Chapter 974, Public Acts of 1990, provides for the conference office to serve as the fiscal office for the receipt and disbursement of child support incentive funds (distributed under provisions of Section 36-5-107, *Tennessee Code Annotated*) if the office of the district attorney general is the agency actually participating in the child support program.

Fraud and Economic Crimes Prosecution Funds

The Fraud and Economic Crimes Prosecution Act of 1984 provides that district attorneys general have “resources necessary to deal effectively with fraud and other economic crimes, and to provide a means of obtaining restitution in bad check cases prior to the institution of formal criminal charges.” Any fees assessed as a result of this law are collected by the court clerk. The clerk in each county is to deposit fees in an account with the county trustee in the county of the district attorney general’s residence. These funds are to be disbursed at the direction of the district attorneys general, who are required to submit an annual report of Fraud and Economic Crime expenditures to the Comptroller of the Treasury.

An organization chart of the department is on the following page.

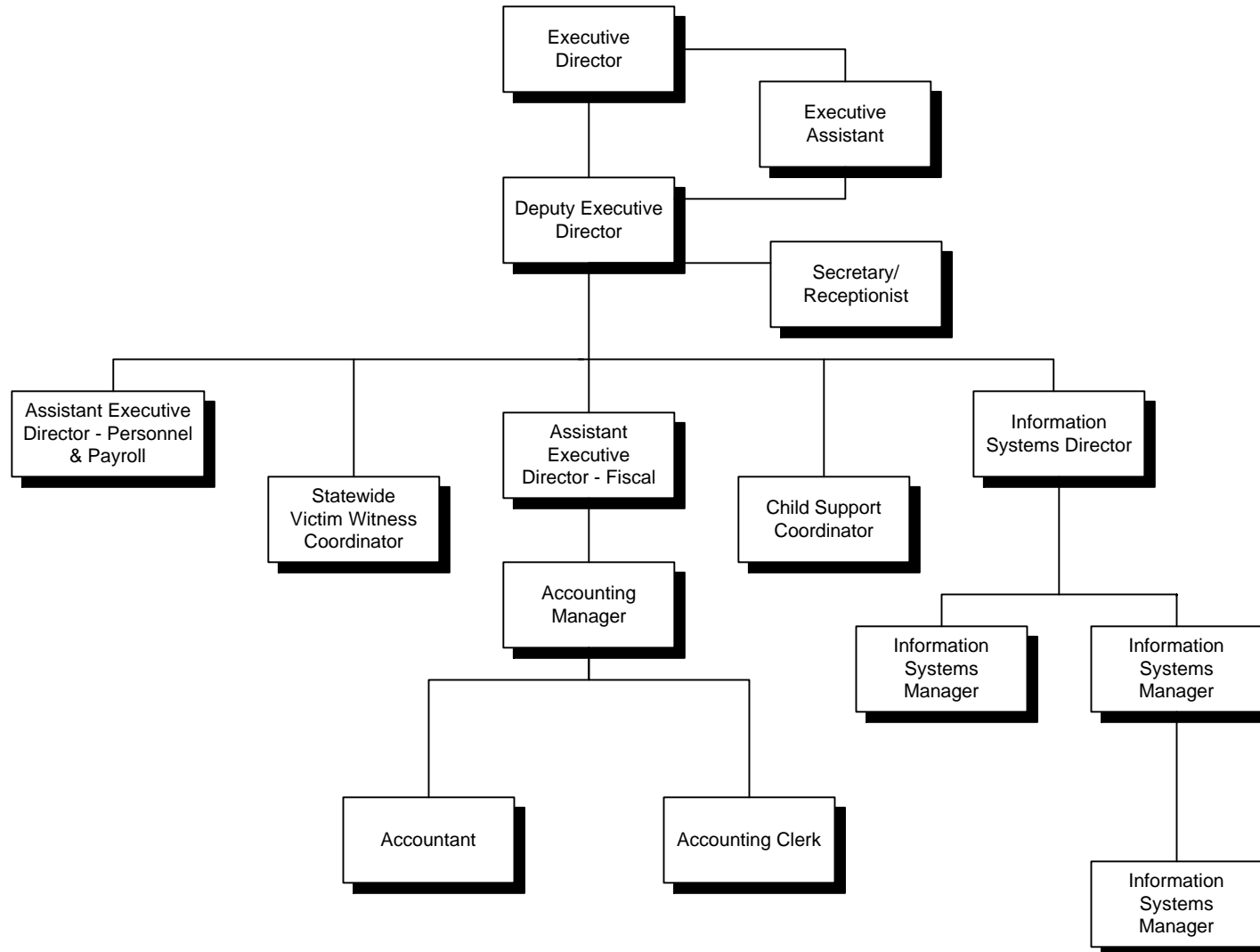
AUDIT SCOPE

We have audited the Office of the Executive Director of the District Attorneys General Conference for the period July 1, 1999, through June 30, 2001. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, payroll and personnel, expenditures, equipment, and field offices. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Office of the Executive Director of the District Attorneys General Conference filed its report with the Department of Audit on November 14, 2000. A follow-up of all prior audit findings was conducted as part of the current audit.

Office of the Executive Director of the District Attorneys General Conference Organization Chart



RESOLVED AUDIT FINDING

The current audit disclosed that the Office of the Executive Director of the District Attorneys General Conference has corrected a previous audit finding concerning the Title VI implementation plan not being submitted in a timely manner.

REPEATED AUDIT FINDINGS

The prior audit report also contained findings concerning offices of district attorneys general not maintaining adequate leave records, the conference office not requiring verification of receipt for purchases made by the judicial districts, and inadequate controls over property and equipment. These findings have not been resolved and are repeated in the applicable sections of this report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

Our objectives in reviewing revenue transactions were to determine whether

- controls over revenue and contingent revenue were adequate;
- revenue transactions were supported, recorded, and properly approved;
- revenue or fees had been billed or charged and recorded at the correct amount;
- revenue records were reconciled with the Department of Finance and Administration reports; and
- cash collected during the audit period had been deposited timely.

We interviewed key personnel to gain an understanding of the controls over cash receipting, billing, and contingent revenue. To determine if revenue was supported, recorded, and approved, we selected a nonstatistical sample of revenue transactions and viewed relevant support. We observed related reports to determine if the conference's records were reconciled with the Department of Finance and Administration records. We also tested a nonstatistical sample of billing journal vouchers for appropriateness. In addition, we selected a nonstatistical sample of cash receipts to see when the cash was deposited.

As a result of our testwork, we determined that controls were in place over revenues. Revenue transactions were supported, approved, and recorded correctly. Billings were for appropriate amounts, and cash receipts were deposited as required. Also, revenue reports were reconciled to Department of Finance and Administration reports as necessary. We had no

findings related to revenue; however, other minor weaknesses came to our attention which have been reported to management in a separate letter.

PAYROLL AND PERSONNEL

The objectives of our review of the payroll and personnel controls and procedures of the Office of the Executive Director of the District Attorneys General Conference were to determine whether

- controls over payroll and personnel were adequate;
- payroll (wages, salaries, and benefits) disbursements were made only for work authorized and performed;
- payroll was computed using rates and other factors in accordance with contracts and relevant laws and regulations;
- payroll was recorded correctly as to amount and period, and distributed properly by account, fund, and budget category;
- payroll was properly approved;
- employees were qualified for their positions; and
- adequate leave records were maintained to accurately report liabilities at fiscal year-end.

We interviewed key conference employees to gain an understanding of procedures and controls over payroll and personnel, including leave slip and time sheet approval and payroll overpayments. A nonstatistical sample of payroll transactions was tested for proper approval of salary rates, leave slips, and time sheets, and for accurate recording. Also, deductions were reviewed to ensure they were authorized by employees, and applicable *Tennessee Code Annotated* laws were reviewed to determine if salary levels were appropriate for the district attorneys generals, assistant district attorneys, and criminal investigators. The personnel files of the employees selected in the sample were reviewed for qualifications, salary rates, pay raises, and final pay for terminated employees, as applicable. We sent positive confirmations to employees and interviewed coworkers in the sample to verify job descriptions and duties. Also, we reviewed leave records to determine if district offices were maintaining adequate records detailing ending balances.

As a result of our testwork, we determined that controls over payroll and personnel were adequate. Payroll disbursements were authorized, computed, and recorded correctly, and approval was documented. Personnel files were complete and supported the payroll transactions tested. Confirmations and coworkers verified the existence of each employee tested. However, we noted that the district offices do not maintain adequate leave records and allow employees to take unearned leave. In addition to the finding, other minor weaknesses came to our attention which have been reported to management in a separate letter.

1. Offices of the district attorneys general do not maintain adequate leave records and allow employees to take unearned leave

Finding

As noted in three prior audits, not all district offices of attorney generals maintain adequate leave records. As established by an Attorney General Opinion issued August 6, 1975, each district attorney general is empowered to institute a reasonable leave policy for his or her own district. However, leave policies vary substantially from district to district, and adequate control does not exist to ensure accurate payroll liabilities.

The conference office's management concurred with the prior audit findings. Management stated that they had advised each office to either adopt the State of Tennessee leave policy or implement their own leave policy and submit it, in writing, to the conference office. The offices were also encouraged to use formal leave requests for their employees in order to maintain accurate records. Although many of the districts adopted policies, leave and attendance records are still deficient.

Several district policies were reviewed to determine the extent of control maintained over payroll liabilities. Other than those districts that have Child Support staff and the support staff for Criminal Division in District 20, time sheets or equivalent records of attendance were not maintained for the districts reviewed. As a result, payments are being made to employees with overdrawn leave balances. At least 56 overpayments totaling \$10,482.65 noted during the audit period occurred due to unearned leave that had not been deducted from the employees' pay in the period the leave was taken. Adequate leave records and proper monitoring of time and attendance may have prevented these overpayments from occurring.

The Office of the Executive Director of the District Attorneys General Conference developed leave and attendance policies and procedures for the districts to follow. Several district offices have elected to follow this policy while others have developed their own. Maintaining accurate district office leave records and timely reporting of district office leave activity allows the conference office to ensure the accuracy of claims for payment of leave at termination. Accurate leave records allow the Fiscal Director to avoid payroll overpayments and to report an accurate leave liability to the Department of Finance and Administration for inclusion in the state's *Comprehensive Annual Financial Report* as well as ensuring that employees are not taking unearned leave.

Recommendation

The Director of Personnel should monitor leave activity. As recurring overpayments and inaccuracies with leave records are discovered for particular districts, those districts should again be encouraged to adopt a formal leave request policy to reduce the administrative cost to the state. All districts that accrue leave should ensure accurate information related to that liability is

reported to the state at year-end. The Director of Personnel should review the liabilities reported for reasonableness based on each district's reported policy.

Management's Comment

We concur. This office has highly recommended that each office adopt a formal leave policy, either the state policy or their own. At least two (2) offices have submitted formal policies to the Department of Personnel for their approval several months ago and have received no response. This office continues to recommend that each individual District Attorney establish a formal policy. Some have accomplished this.

EXPENDITURES

Our objectives in reviewing the expenditure transactions of the Office of the Executive Director of the District Attorneys General Conference were to determine whether

- control over expenditures is adequate;
- recorded expenditures were for goods or services authorized and received;
- all expenditures incurred for goods or services had been identified and recorded;
- expenditures for goods or services had been recorded correctly as to allotment code, budget category, period, and amount;
- payments had been made in a timely manner;
- all payments for travel had been paid in accordance with the *Comprehensive Travel Regulations*;
- expenditures that do not require additional approvals were appropriate; and
- any duplicate payments or overpayments were made.

We discussed expenditure and disbursement controls with key personnel to gain an understanding of the conference's procedures over these areas. We reviewed supporting documentation and tested a nonstatistical sample of transactions to determine whether the expenditures were authorized, received, recorded correctly, and paid timely. For travel expenditures in the sample, we reviewed for compliance with *Comprehensive Travel Regulations*. We also selected a nonstatistical sample of expenditures under \$1,000 to ensure that the expenditures were appropriate. In addition, we extracted information related to warrant cancellations and cash receipting transactions to search for duplicate payments.

As a result of our testwork, we determined that control over expenditures is adequate. However, there are weaknesses in purchasing controls. Expenditures were authorized, goods were received, and amounts were recorded correctly. Payments were timely, and travel

expenditures were in compliance with *Comprehensive Travel Regulations*. We also found that the conference has made many duplicate payments and overpayments.

2. A lack of adequate internal control has resulted in many overpayments and duplicate payments to vendors

Finding

Due to weakness in internal control, management cannot accurately determine the full extent of overpayments. As noted in the prior audit, the conference office in Nashville does not require verification of receipt for purchases made, resulting in overpayments to vendors. Management concurred with the prior finding and stated that they would monitor the situation to comply with the finding. The conference processes all vendor payments for each of the 31 districts throughout the state. However, the conference office still does not require the districts to verify that goods were actually received or services were actually rendered. Also, there is no formal process at the conference office or at the district offices for verifying that invoices were not previously paid. The conference office matches copies of invoices to purchase orders for items over \$1,000. However, most of the items purchased are under \$1,000, and there are no such procedures in place for those items. This resulted in many overpayments and duplicate payments to vendors for goods and services rendered.

The overpayments and duplicate payments were only discovered because some vendors reported them to the management. Transactions involving warrant cancellations included 8 overpayments totaling \$5,388.51 and 31 duplicate payments totaling \$6,956.93. In addition, transactions involving cash receipts included 22 overpayments totaling \$11,506.94 and 14 duplicate payments totaling \$3,107.38. In summary, there were 75 known overpayments and duplicate payments totaling \$26,959.76. This total only includes known overpayments and duplicate payments. The actual amount of overpayments and duplicate payments that were not returned by vendors is unknown.

Good internal control would require that controls are in place and operating in such a manner that overpayments and duplicate payments would be kept to a minimum. Without adequate internal control, overpayments and duplicate payments will continue to be made.

Recommendation

The conference office should take appropriate measures to establish internal control that will minimize duplicate payments and overpayments. Management should require a receiving report or other signed statement to verify that goods have been received prior to payment. When policies are developed for items under \$1,000, the conference office should match a copy of the invoice to a document that shows approval for payment. The conference office should implement controls to flag invoice numbers that were previously paid.

Management's Comment

We concur. Effectively immediately, no payments will be processed from a faxed copy, unless specifically approved by the Fiscal Director. This will be only for unusual circumstances. The conference does receive invoices from the districts that are signed as to receipt and approval for payments. Many overpayments result because of utility bills that are refunded due to disconnections, etc. Checking each invoice individually is totally impractical, from a volume stance as well a timing position. We feel that the state's accounting system could better serve the departments, if when an invoice is keyed into the system it would be prompted to show the invoice number has been entered, the warrant number issued and the date of redemption of the warrant.

3. Controls over purchasing are inadequate

Finding

The conference office and many of the district offices do not have adequate controls in the purchasing process. The Office of the Executive Director of the District Attorneys General Conference is responsible for purchasing items for offices of the district attorneys general. The following purchasing weaknesses were noted:

- No written purchasing policies and procedures are in place for items under \$1,000.
- Inadequate segregation of duties exists in the purchasing function at the conference office.
- Inadequate segregation of duties exists in the purchasing function at several of the district offices visited.

No Written Purchasing Policies and Procedures for Items Under \$1,000

There are no written purchasing policies and procedures in place for purchases involving items under \$1,000. Also, there is no consistency in procedures for purchasing these items. For example, the purchasing officer from a district may call the conference office and make a verbal request for equipment, supplies, or software. On other occasions, the purchasing officer from a district may obtain bids before deciding on a vendor. The lack of policies and procedures for items under \$1,000 also indicates that there is no formal process in place for approving such purchases. A lack of consistency in procedures can lead to confusion between the conference office and the districts and/or vendors. Also, since items under \$1,000 do not have requisitions, there is no comparison of an invoice to a purchase requisition, or purchase order, as would be performed for items over \$1,000 according to the purchasing policy. As mentioned in the previous finding, not performing such a comparison increases the risk of duplicate payments or overpayments to vendors.

Inadequate Segregation of Duties at the Conference Office

There is an inadequate segregation of duties at the conference office. The Fiscal Director in the conference office is involved in both the purchasing function and the approval function. With the exception of computer purchases and purchases handled by the districts, this individual acts in a capacity equivalent to that of a purchasing officer in deciding what vendor to select for purchase, obtaining the required bids for items over \$1,000, and performing other purchasing officer functions. This individual is also involved in the approval function for invoices. Good internal control procedures dictate that the duties of purchasing and approving purchases should be segregated.

Inadequate Segregation of Duties at the District Offices

There is also an inadequate segregation of duties in the purchasing function at several of the district offices visited. The following weaknesses were noted:

- In District 15, Hartsville; District 18, Gallatin; District 23, Charlotte; District 24, Huntingdon; District 26, Jackson; and District 30, Memphis, the same individual acts as the purchasing officer and is also responsible for receiving and inspecting the goods when received at this district.
- In District 21, Franklin, and District 29, Dyersburg, the same individual acts as the purchasing officer and is also responsible for receiving and inspecting the goods when received as well as approving the purchasing of such items.
- District 28, Trenton, the receiving and inspecting function is not assigned to a specific individual. This function is performed by whoever finds it convenient when goods are received at this office, including individuals involved in performing the other purchasing functions.

Good internal control procedures dictate that the purchasing, receiving and inspecting, and approval functions be segregated.

Recommendation

The conference office should implement written purchasing policies and procedures for items under \$1,000. The procedures should be applied consistently among districts and vendors. The conference office should ensure that duties are adequately segregated at the conference office and encourage segregation of duties at the district offices.

Management's Comment

We do not concur. There are no state policies that require a written policy for purchases under \$1,000. Due to wide geographical distribution of our Judicial Districts, it is necessary to

purchase ordinary and recurring items without having to procure bids through a formal process. The DAGC does not participate in the use of the state's TOPS system, and therefore, is not required to have formal requisitions or Purchase Orders. We make every effort to secure Purchase Orders for sensitive items and purchase from the state contract whenever possible.

We feel the Fiscal Director is the individual charged with the responsibility for the overall operation of the conference budget. Due to this fact, we see no conflict with special situations requiring the Fiscal Director to negotiate the purchase of various items as well as approve the subsequent payment when due. The primary purpose for the staff in the district offices is to facilitate and expedite the case pending prosecution. This requires a multitude of processes and leaves a shortage of available staff to handle routine office duties. Due to this staffing shortage and the fact that many offices only have 2-3 employees, some of which are engaged with court and not available to alleviate an inadequate segregation situation, it is impossible to comply with this finding.

Auditor's Rebuttal

This finding was developed to point out a weakness in the conference's internal control. Unauthorized purchases could occur because the conference has not developed a policy for this type of purchase. The executive branch agencies have recognized this risk and have developed policies for their employees to follow. When an approval signature is not required for these purchases to occur, the state could unknowingly be paying for unnecessary items that were procured for personal use. Whether or not there is a state policy requiring a written policy for purchases under \$1,000 is not the issue.

An adequate segregation of duties is a primary component of internal control. Segregation of duties is essential in fraud detection and aids in prevention of possible errors and misappropriation of funds. Without checks and balances in place, the fiscal officer could make unauthorized purchases at whatever company he chooses. The fact that he is responsible for the overall operation of the conference budget does not mitigate the situation, but actually exacerbates the problem. Because he is responsible for the conference budget, he is relatively free of scrutiny by other employees, and he is also aware if there are extra funds available that could be spent unnoticed. In addition, the explanation that there is a staffing shortage does not diminish fraud risk related to this internal control finding.

EQUIPMENT

The objectives of our review of the equipment controls and procedures of the Office of the Executive Director of the District Attorneys General Conference were to determine whether

- control over equipment was adequate;

- property and equipment on the Property of the State of Tennessee equipment listing (POST) represented a complete and valid listing of the cost of assets purchased or leased and physically on hand;
- property and equipment were adequately safeguarded;
- lost and missing equipment was properly reported to the Comptroller's office and was removed from the equipment listing; and
- rental and lease arrangements for office space, equipment, etc., were supported by appropriate legal documents, such as a contract or lease agreement.

We interviewed key conference personnel to gain an understanding of procedures and controls for safeguarding and accounting for equipment and reviewed these controls and procedures. In addition, we tested a nonstatistical sample of equipment purchases during the audit period and a nonstatistical sample of equipment recorded on POST to determine if the actual items agreed by tag number, serial number, description, and location with the POST equipment listing. For the purchases sample, we also reviewed invoices to determine if the equipment was recorded for the correct amount. For completeness, we located various equipment items at the field offices and verified whether the items were included in POST. We also obtained a list of lost or stolen items to determine the extent of such activity, and reconciled the list back to required correspondence with the Division of State Audit. In addition, we tested lease agreements to determine if lease payments were authorized and supported.

As a result of our testwork, we determined that control over equipment is not adequate. POST records were not accurate or complete. Lost or stolen equipment was reported and removed from the POST records, but the number of lost and stolen items was excessive. We also noted that the leases not maintained on file were oral agreements, not formal lease agreements or contracts.

4. Controls over equipment and leased office space were inadequate

Finding

As noted in three prior audits, which covered July 1, 1993, to June 30, 1999, the conference office still does not have adequate controls over equipment and leased office space. The conference office's management concurred with the prior finding, stating that they would improve the property accountability for the equipment used by the department and that they had been working on negotiating formal leases for the oral agreements that were previously in place. The problems that follow indicate that weaknesses still exist with the conference office's control over equipment. Also, although several formal written leases were on file, a significant number of leases were still oral agreements with no written documentation of the terms of the lease.

Equipment

Equipment records were reviewed at the conference office and at the offices of 14 district attorneys general. Equipment was tested in several ways during the audit period. A sample of equipment items was taken from the Property of the State of Tennessee listing, and a sample of expenditures for equipment was taken from the State of Tennessee Accounting and Reporting System (STARS). In addition, items were chosen and tested at each of the 11 district offices visited, and every piece of equipment was tested in Districts 6, 11, and 12 to follow up on the prior audit's equipment finding. The following weaknesses indicate a lack of control over and accountability for equipment:

Location Problems

- Five of 60 items tested in the equipment sample (8%) could not be physically located or confirmed.
- Twelve of 107 items tested in District 6-Knoxville, District 11-Chattanooga, and District 12-Dayton as follow-up to the prior audit's finding (11%) could not be physically located or confirmed. Ten of those items were items from Chattanooga that were to have been surplus; however, no surplus documentation was provided.
- Nine of 187 items tested in the expenditure sample (5%) could not be physically located or confirmed.

Property Tag Problems

- Seventy of 95 items tested in District 6-Knoxville, District 11-Chattanooga, and District 12-Dayton as follow-up to the prior audit's finding (74%) did not have property tags affixed to the equipment item. Sixty-seven of those items were from Chattanooga.
- Four of 66 items tested in the districts visited (6%) did not have property tags affixed to the equipment item. All four of these items were in the District 23-Charlotte office, and the tags were located in the administrative assistant's desk.

POST Problems

- Two of 55 items tested in the equipment sample (4%) had incorrect information listed in POST. The items were listed in the wrong location.
- Nine of 66 items tested in the districts visited (14%) had incorrect information listed in POST. Three of the items in Huntingdon were listed in the wrong location, and 6 items in various districts were not listed.
- Twenty-one of 178 items tested in the expenditure sample (12%) had incorrect information listed in POST. Nineteen of the items were not added to POST at the correct purchase price, and 2 of the items were not listed.

Other Control Problems

- Throughout the audit period, 55 equipment items, valued at \$80,504.45, were reported to the Comptroller of the Treasury as lost or stolen.

Leased Office Space

The conference office does not have adequate procedures concerning leased office space of the district attorneys general. The conference office has allowed district attorneys general to arrange and negotiate for their own office space. In some cases, the conference office and the district attorneys general have not entered into formal lease agreements for the office space that is currently leased. In addition, the conference does not maintain copies of all office leases but pays invoices for the lease of the office spaces. Through review of the office space listings, it was determined that there were 67 leases spreading across all 31 districts for the Child Support Division and Criminal Division. Nine of the 60 leases (15%) were oral agreements. The conference office, therefore, had no documentation of the terms of these agreements.

Recommendation

Equipment

The Executive Director and property officer should improve accountability for the equipment used by the conference office and the 31 district attorneys general. Each district attorney general should be held accountable for the state equipment assigned to his or her office and should report inventory changes to the conference office. All equipment purchased through the state should be properly added to the POST system and tagged appropriately as state equipment.

Leased Office Space

The Executive Director should ensure that all rental and lease arrangements are appropriate legal documents, such as contracts or lease agreements. Copies of the leases should be maintained at the conference office as authority for payment. The documents should clearly specify the exact legal relationship between the conference office and the property owners.

Management's Comment

We concur. The conference is continuing to improve accountability in this area. In an effort to more adequately account for the inventory, we are going to have one of our staff make visits periodically to districts who are experiencing the most problems in inventory control and accountability. We agree that the yearly inventory needs improvement and will make every effort to achieve this. We are going to insist on more stringent efforts when trying to locate lost, stolen or misplaced equipment, before the write-off process is initiated.

The lease in the 28th District was formalized May 01, 2002. Although the lease, in Jasper, is old and outdated, it has been continuing on a month-to-month basis. We will make efforts to have a newer version of this lease prepared, for signatures. As leases expire, we are attempting to formalize leases, when renegotiating. This is often more expensive, but we agree that formal leases are necessary.

FIELD OFFICES

The objectives of our review of the field office controls and procedures of the district attorneys general were to determine whether

- employees paid with grant funds actually perform work for the grant program,
- expenses claimed for reimbursement from the state are not also claimed for reimbursement from the county,
- control over cellular phones is adequate, and
- salary supplements and other benefits were in accordance with applicable statutes.

We observed employees who charge their payroll to federal programs to determine if they actually perform duties related to the program. We reviewed supporting documentation for travel claims submitted to the county for reimbursement and compared the content to claims submitted to the state. We interviewed key personnel and obtained policies related to cell phone usage and information related to salary supplements. We also performed testwork supporting the findings in the payroll and personnel, expenditures, and equipment sections of this report.

As a result of our testwork, we determined that employees were appropriately paid with grant funds. County travel claims did not include travel reimbursed by the state. Cell phone procedures were adequate, and salary supplements were authorized. Other than the findings previously reported, we had no findings related to the field office visits; however, other minor weaknesses came to our attention which have been reported to management in a separate letter.

ISSUES FOR LEGISLATIVE CONSIDERATION

NUMEROUS FUNDING SOURCES OF THE DISTRICT ATTORNEYS GENERAL

As noted in the last three audits, covering the period July 1, 1993, through June 30, 1999, the district attorneys general receive funds from some or all of the following sources: state appropriations, city and county appropriations, Fraud and Economic Crime funds, Federal Asset Forfeiture funds, Drug Task Force funds, Victim/Witness Asset Program funds, and cost collection funds. These funds and county appropriations are typically on deposit with the county

trustee and are spent and accounted for through the applicable county's accounting system. The Executive Director of the conference is the fiscal officer for state appropriations of each district attorney general's office and has been specifically designated as fiscal officer for child support incentive funds pursuant to Section 8-7-602(b), *Tennessee Code Annotated*. In addition, Section 8-7-602(a) provides for individual district attorneys general to designate the Executive Director as fiscal officer for the other federal and local government funds they receive. However, none of the 31 district attorneys general have exercised this option.

These various sources increase the risk that the same expense item could be submitted for reimbursement to more than one funding source, whether intentionally or as a result of errors. This situation created the opportunity for a former district attorney and his assistant to misdirect public funds into a private bank account for their personal use.

These matters were reported in the audit report for the conference for the years ended June 30, 1995, and June 30, 1994. In that audit, we reported that in the Thirtieth Judicial District (Shelby County), the former district attorney general submitted travel claims to the state and improperly retained \$15,222.63 for expenses that the county had paid and that he had not personally incurred and was not owed. In addition, a former assistant district attorney general submitted travel claims to the state and improperly retained \$2,520.83 for expenses that the county had paid and that she had not personally incurred and was not owed.

These underlying conditions have not been corrected. The officials responsible for approving payments at the state and county levels still do not have a mechanism to determine what expenses have also been paid by another funding source.

The General Assembly should determine if city and county governments should continue to provide funding to district attorneys general without a mechanism to verify that claims are submitted to only one government for reimbursement, or determine if the conference should be fiscal officer for all the sources of funds of the district attorneys general.

SALARY SUPPLEMENTS FOR STATE DISTRICT ATTORNEYS GENERAL EMPLOYEES AND COUNTY FUNDING OF DISTRICT OFFICES

Currently, the payment of salary supplements to district attorneys general and their staff is handled differently by the counties providing the supplements. Some counties pay the supplement directly to the employee through the county payroll, while others pay the supplement to the conference office, which pays the supplement to the employee through the state payroll system.

The General Assembly should determine if its legislative intent was for Fraud and Economic Crime funds and county appropriations to be used to supplement the salaries of individuals employed by offices of certain district attorneys general. If the salary supplements are considered appropriate, the General Assembly should then consider requiring all salary

supplements for the district attorneys general and their staff to be remitted to the state and then paid through the state payroll system.

OBSERVATIONS AND COMMENTS

REVIEW OF THE SPECIAL FUNDS OF THE DISTRICT ATTORNEYS GENERAL

The special funds of the 31 district attorneys general were reviewed by the Comptroller of the Treasury, Department of Audit, Division of County Audit, for the fiscal years ended June 30, 2000, and June 30, 1999. These funds include Fraud and Economic Crimes Prosecution Act funds, Judicial District Drug Task Force funds, and Federal Asset Forfeiture funds. The Division of County Audit noted findings regarding the administration of the special funds in ten districts for the year ended June 30, 2000. Districts 1, 13, 14, 15, 20, 22, 24, 27, 28, and 31 received findings. Findings were noted in ten districts for the year ended June 30, 1999. Districts 12, 13, 14, 15, 20, 21, 22, 24, 25, and 31 received findings.

The special funds of the district attorneys general are often used to provide salary supplements to certain staff members. The Division of County Audit issued for June 30, 2000, and June 30, 1999, reports on its *Review of Fraud and Economic Crime Funds, Judicial District Drug Task Force Funds, and Other Funds Administered by the District Attorneys General, First Judicial District through Thirty-First Judicial District*. In the transmittal letters of those reports, the Division of County Audit states that these salary supplements raise public policy concerns that should be examined by the General Assembly.

STUDY OF FUNDS OUTSIDE THE STATE ACCOUNTING SYSTEM AVAILABLE TO THE ADMINISTRATIVE OFFICE OF THE COURTS, THE DISTRICT ATTORNEYS GENERAL, AND THE DISTRICT PUBLIC DEFENDERS

Pursuant to Chapter 464, Public Acts of 2001, the office of the Comptroller of the Treasury and the Office of Legislative Budget Analysis conducted a special study of the funds maintained outside of the state accounting system and made available to the District Attorneys General, as well as the District Public Defenders and the Administrative Office of the Courts. This joint report containing several findings and recommendations was released in June 2002 and made available to the members of the Senate and House Finance, Ways and Means Committees.

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title

VI compliance report and implementation plan to the Department of Audit by June 30 each year. The Office of the Executive Director of the District Attorneys General Conference filed its compliance reports and implementation plans on June 30, 2001, and July 2, 2000.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds. The Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI. A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

ALLOTMENT CODES

Office of the Executive Director of the District Attorneys General Conference allotment codes:

- 304.01 District Attorneys General — This code provides salaries and operating expenses for the 31 judicial districts that handle criminal prosecution.
- 304.05 District Attorneys General Conference — This code provides travel and related expenses associated with the annual conference, various meetings and committees, and other training the district attorney or his/her staff may attend.
- 304.10 Executive Director — This code provides salaries and operating expenses for the Executive Director's office.
- 304.15 Title IV-D Child Support — This code provides salaries and operating expenses for the 20 districts that have child support programs handled by the district attorney general. These offices are responsible for assisting children and their guardians in locating absent parents and enforcing child support decrees of the court.